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SUBJECT: TRADE MINISTER ON THE FUTURE OF TIDCA AND AGOA

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¶1. (U) Summary. The Southern African Customs Union (SACU) will "engage energetically" on the U.S./SACU Trade, Investment, and Development Cooperative Agreement (TIDCA), said South African Minister of Trade and Industry Dr. Rob Davies at a breakfast briefing for the American Chamber of Commerce on August 13. Davies cautioned against graduating South Africa from the African Growth and Opportunity Act (AGOA) program benefits, and stressed that AGOA and other trade preference arrangements should be used to advance regional integration. He reiterated that South Africa is committed to industrial policy and to specific interventions in distressed sectors such as autos and textiles. Davies also stressed that broad-based black economic empowerment will be continued and must be aligned with industrial policy.  
End Summary.

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SACU to "Engage Energetically" on TIDCA  
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¶2. (U) The Southern African Customs Union (SACU) will "engage energetically" on the U.S./SACU Trade, Investment, and Development Cooperative Agreement (TIDCA) before the end of October 2009, said South African Minister of Trade and Industry Dr. Rob Davies at a breakfast briefing for the American Chamber of Commerce on August 13. Progress on the TIDCA has been slow because SACU "hasn't gotten its act together," he admitted. Davies said that the TIDCA will focus on sanitary/phytosanitary measures, technical barriers to trade, information exchange on customs cooperation, and programs to build private sector trading capacity.

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Davies Opposed to Graduation from AGOA  
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¶3. (U) A broad range of South African sectors have benefited from AGOA, Davies told the AmCham audience. He appealed to the U.S. not to "graduate" South Africa from AGOA, explaining that AGOA benefits have not yet trickled down to the country's underdeveloped "second" economy. He also argued that graduation of South Africa would disrupt regional integration because other countries in the region would remain members.

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Trade Should be Used to Promote Regional Integration  
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¶4. (U) The South African Development Community (SADC) Free

Trade Area was launched in January 2008, but regional integration remains a challenge, according to Davies. Plans for a SADC Common Market by 2010 are "completely unrealistic," he acknowledged. Accordingly, Davies reported, the SADC Task Force on Regional Integration recently decided to broaden rather than deepen regional ties. SADC will now seek free trade agreements with the Common Market for Eastern and Southern Africa (COMESA) and the Economic Community of Western African States (ECOWAS), rather than aim at deepening integration among SADC members. Davies emphasized that outside trading partners must treat the entire region as a single entity. He cited the European Union's Economic Partnership Agreements with other SACU members as an example of a trade arrangement that threatens to create different sets of obligations and thereby disrupts regional integration.

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The Global Economic Crisis and Industrial Policy  
QThe Global Economic Crisis and Industrial Policy  
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¶5. (U) While South Africa has been "severely affected" by the global economic crisis, Davies argued there is great potential for post-crisis economic growth underpinned by expanded infrastructure currently under construction. The South African government, he promised, will assist sectors struggling with the global recession, including autos and clothing and textiles. Davies reiterated the government's support for industrial policy in "strategic sectors" such as tourism, chemicals and pharmaceuticals, autos, and inputs to the infrastructure program (such as engineering and telecom). Davies noted that the Department of Trade and Industry is planning to attract investment by doing sector-specific analysis and encouraging companies that are already doing business in South Africa to expand their operations.

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Broad-Based Black Economic Empowerment Still Necessary  
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¶6. (U) Broad-based black economic empowerment (BBBEE) will end someday, but not any time soon, Davies said. "We still have a significant backlog when it comes to black participation in the economy. We are nowhere close to saying, 'We don't need BEE,'" he stressed. He said that BBBEE must now be aligned with industrial policy and support tied between small firms and large established companies.

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COMMENT  
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¶7. (U) South African government officials and members of the business community have been quietly speculating about the future of AGOA for several months. There is widespread concern that South Africa will be graduated from the program or that the program will not continue after it sunsets in ¶2015. Post is encouraged that AGOA is not being taken for granted in South Africa.

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